RIAZ AHMAD & COMPANY
Chartered Accountants

QUETTA ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

NEXIA INTERNATIONAL

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
BALANCE SHEET
AS AT 30 JUNE 2014

	NOTE	2014 Rupees	2013 Rupees Restated	2012 Rupees Restated
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
5.000.000.000 Ordinary shares of Rupees10 each		**50,000,000,000**	50,000,000,000	50.000.000.000
Issued, subscribed and paid up share capital	3	**10,000**	10,000	10.000
Capital reserve		**(3,405,704,034)**	(3,178,742,034)	(1,463,729.034)
Revenue reserve		**(49,156,244,667)**	(58,526,881,504)	(45,680,949.979)
		(52,561,938,701)	(61,705,613,538)	(47 144.669.013)
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT	4	**35,622,986,620**	36,680,832,875	37,608.298,329
DEPOSIT FOR SHARES	5	**57,245,214,102**	12,437,524,943	12,437.524,943
NON CURRENT LIABILITIES				
Long term financing	6	**24,401,197,962**	24,237,679,025	25,234,899,306
Long term deposits	7	**665,197,647**	553,804,714	469.348.173
Deferred credits	8	**7,175,151,007**	6,037,349,595	5,814.984,544
Reciepts against deposit works and connections	9	**6,570,665,695**	7,070,898,466	6,020.248,689
Employees' retirement benefits	10	**7,578,022,881**	6.686,432,881	4,288.771.616
		46,390,235,192	44,586.164.681	41.828.252.328
CURRENT LIABILITIES				
Trade and other payables	11	**105,856,479,492**	134,860,276,884	94.116.763,697
Accrued mark-up		**2,801,519,239**	1,633,524,441	1.238.432.700
Current portion of long term financing	6	**2,762,041,624**	2.289,501,624	300.291.752
Provision for taxation		**4,611,042**	29,813,494	68.396.436
		111,424,651,397	138,813,116,443	95,723,884,585
CONTINGENCIES AND COMMITMENTS	12			
		198,121,148,610	170.812,025,404	140 453,291.172
ASSETS				
NON - CURRENT ASSETS				
Property. plant and equipment	13	**67,615,338,362**	66,134,412,985	63,789 799.198
Long term loans	14	**50,654,453**	38,706,370	39,445,240
Long term deposits	15	**819,674**	726,404	726,404
		67,666,812,489	66,173,845,759	63.829,970.842
CURRENT ASSETS				
Stores. spares and loose tools	16	**3,285,352,406**	3.374,923.167	2.915.911.402
Trade debts	17	**89,651,258,422**	70,925,087,907	56,680,502.374
Loans and advances	18	**263,742,875**	221,161,677	383.473.285
Other receivables	19	**34,258,122,373**	28.074.358.545	14.982.169 992
Advance income tax		**22,335,737**	25,202.452	59.692.905
Cash and bank balances	20	**2,973,524,308**	2,017,445,897	1,601,570.372
		130,454,336,121	104,638,179.645	76,623,320.330
		198,121,148,610	170.812.025.404	140.453,291.172

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 Rupees	2013 Rupees Restated
Electricity Sales	21	**47,698,541,443**	46,957,204,862
Cost of electricity	22	**(53,932,737,335)**	(49,624,214,998)
Gross loss		**(6,234,195,892)**	(2,667,010,136)
Distribution cost	23	**(4,968,818,730)**	(4,665,441,153)
Administrative expenses	24	**(1,027,359,262)**	(1,012,516,875)
Other operating expenses	25	**(8,748,869,642)**	(5,621,940,008)
		(14,745,047,634)	(11,299,898,036)
Rental and service income	26	**36,733,107**	19,218,343
		(20,942,510,419)	(13,947,689,829)
Share of GoP subsidy	27	**28,715,848,463**	-
Other income	28	**3,118,998,761**	2,690,213,166
Finance cost	29	**(2,579,546,223)**	(2,486,106,822)
Profit / (loss) before tax		**8,312,790,582**	(13,743,583,485)
Taxation	30	**-**	(29,813,494)
Profit / (loss) after tax		**8,312,790,582**	(13,773,396,979)
Earnings / (loss) per share - basic & diluted	31	**8,312,791**	**(13,773,397)**

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

CASH FLOWS FROM OPERATING ACTIVITIES	2014 Rupees	2013 Rupees Restated
Profit / (loss) for the year before taxation	8,312,790,582	(13.743.583,485)
Adjustment for non-cash charges and other iterms:		
Depreciation (net of amortization of deferred credit)	1,532,262,163	1.595,960,362
Provision for doubtful debts	8,673,645,198	5.596.853.736
Provision for employees' retirement benefits	925,601,000	927.469,000
Provision for compensated expense	67,421,000	49.677,000
Financial charges	2,579,546,223	2,486.106.822
	13,778,475,584	10.656,066.920
Cash flows from operations before working capital changes	22,091,266,166	(3.087,516,565)
Cash flows from working capital changes:		
(Increase) / decrease in current assets		
Store, spare and loose tools	89,570,761	(459,011.765)
Trade debts	(27,399,815,713)	(19,841,439,269)
Loans and advances	(40,938,675)	163,328,726
Other receivables	(6,183,763,828)	(13.092.188.553)
(Decrease) / increase in current liabilities		
Trade and other payables	(29,003,797,392)	40,743,513,187
	(62,538,744,847)	7,514,202,326
	(40,447,478,681)	4,426,685,761
Finance cost paid	(1,411,551,425)	(2,091,015,081)
Employees' retirement benefits paid	(328,394,000)	(294,497,735)
Income tax paid	(22,335,737)	(33,905,983)
Net cash used in operating activities	(42,209,759,843)	2,007.266.962
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(3,301,447,799)	(4.210,736,587)
Long term loans	(13,590,606)	(278,248)
Long term deposits	(93,270)	-
Net cash used in investing activities	(3,315,131,675)	(4.211,014,835)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit for shares received	44,807,689,159	-
Long term financing obtained	636,058,937	991,989,591
Long term deposits	111,392,933	84,456,541
Reciepts against deposit works and connections	925,828,900	1.543,177,266
Net cash flow from financing activities	46,480,969,929	2.619.623.398
Net increase in cash and cash equivalents during the year	956,078,411	415.875.525
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR	2,017,445,897	1,601,570,372
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,973,524,308	2,017,445,897

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rupees	2013 Rupees Restated
PROFIT / (LOSS) AFTER TAXATION	8,312,790,582	(13,773,396,979)
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to profit or loss account:		
Remeasurement loss on employees retirement benefits	(226,962,000)	(1,715,013,000)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year	(226,962,000)	(1,715,013,000)
TOTAL COMPREHENSIVE INCOME / (LOSS)	**8,085,828,582**	**(15,488,409,979)**

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	SHARE CAPITAL	CAPITAL RESERVE REMEASUREMENT LOSS ON EMPLOYEES' RETIREMENT BENEFITS	REVENUE RESERVE ACCUMULATED LOSS	TOTAL
	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2012	**10,000**	**-**	**(51,279,673,536)**	**(51,279,663,536)**
Effect of restatements (Note 2.5 & 32)	-	(1,463,729,034)	5,598,723,557	4,134,994,523
Balance as at 30 June 2012 - restated	**10,000**	**(1,463,729,034)**	**(45,680,949,979)**	**(47,144,669,013)**
Comprehensive loss for the year ended 30 June 2013				
Loss for the year - restated	-	-	(13,773,396,979)	(13,773,396,979)
Other comprehensive loss - restated:				
Remeasurement effect on employees retirement benefits	-	(1,715,013,000)	-	(1,715,013,000)
Total comprehensive loss for the year - restated	-	(1,715,013,000)	(13,773,396,979)	(15,488,409,979)
Increamental depreciation charged during the year	-	-	927,465,454	927,465,454
Balance as at 30 June 2013- restated	**10,000**	**(3,178,742,034)**	**(58,526,881,504)**	**(61,705,613,538)**
Comprehensive income for the year ended 30 June 2014				
Loss for the year	-	-	8,312,790,582	8,312,790,582
Other comprehensive loss:				
Remeasurement effect on employees retirement benefits	-	(226,962,000)	-	(226,962,000)
Total comprehensive loss for the year	-	(226,962,000)	8,312,790,582	8,085,828,582
Increamental depreciation charged during the year	-	-	1,057,846,255	1,057,846,255
Balance as at 30 June 2014	**10,000**	**(3,405,704,034)**	**(49,156,244,667)**	**(52,561,938,701)**

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. THE COMPANY AND ITS OPERATIONS

1.1 Quetta Electric Supply Company Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was established to take over all the properties, rights, assets, obligations and liabilities of Quetta Area Electricity Board owned by Pakistan Water & Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated in 13 May 1998 and commenced commercial operation on 1st July 1998. The principal activity of the Company is that of a public electricity distributor and supplier, mainly through purchase of electricity from National Transmission and Dispatch Company Limited (NTDC) and through own generation to a limited extent. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA).

The registered office of the company is located at Zarghoon Road, Quetta.

1.2 The Company has sustained transmission and distribution (T&D) losses of 24.45% (2013: 22.67%) during the year which included technical losses as well as theft element and are the major reason for gross loss. The Company is making rigorous efforts to reduce the T&D losses to improve its profitability going forward.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted and applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

2.1 Basis of Preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

(b) Accounting convention

These financial statements have been prepared on the historical cost convention, except for the property, plant and equipment are stated at revalued amounts, certain employees' retirement benefits recognized on the basis of actuarial valuation and the financial instruments carried at fair value.

Accrual basis has been used in preparation of these financial statements except for the cash flow statement.

(c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follow:

- **Employees' retirement benefits**

The Company has adopted certain actuarial assumptions as disclosed in the note 10 for valuation of defined benefit obligation, based on actuarial advice. Any changes in the assumptions in future years would affect the amount of gains and losses to be recognized.

- **Operating fixed assets - Useful lives and residual values**

The residual values and useful lives are re-assessed at each financial year-end. The residual values are assessed to be insignificant and have not been taken into account for charging the depreciation. Useful lives of the operating fixed assets are re-assessed to check if there any difference from the previous estimates. Useful life is determined by considering expected usage, physical wear and tear and technical obsolescence.

- **Provision for stock losses**

This provision for stock losses is determined based upon the analysis of obsolete or slow moving status of various store items.

- **Provision for doubtful debts and receivables**

Provision for doubtful debts and receivables is made on management's assessment of anticipated uncollectible amounts based on the Company's past experience, historical bad debts statistics and age analysis.

- **Current taxation**

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

(d) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

(e) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(f) Standards and amendments to published standards that are relevant to the Company and with effective dates falling within the current year but have not yet been notified by the Securities and Exchange Commission of Pakistan (SECP)

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

(g) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other standards, new interpretation and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

(h) Standards and amendments to published approved standards that are not yet effective but relevant to the Company

Following standard, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2014) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IFRS 13 'Fair Value Measurement', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Company's financial statements.

(i) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Deferred credit

Amounts received from the Government and consumers as contributions towards the cost of extension of distribution network and of providing service connections are deferred for amortization over the estimated useful lives of related assets.

2.3 Property, plant and equipment

(a) Operating fixed assets

Recognition

Operating fixed assets except leasehold & freehold land are stated at revalued amount less accumulated depreciation and impairment loss, if any. Leasehold & Freehold land are stated at revalued amount less recognized impairment loss, if any. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Depreciation

Depreciation on property, plant and equipment is charged on the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in Note 13.1. Residual values and the useful life of property, plant and equipment are reviewed at least at each financial year-end. The depreciation charge commences from the month in which the asset is available for use and continues until the month in which such asset is deleted.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less recognized accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of property, plant and equipment in the course of their acquisition, erection, construction and installation, including salaries and wages and other overheads directly attributable to capital work-in-progress, and the cost of borrowings at effective interest rate incurred on borrowings obtained for specific projects up to the commencement of commercial operations. The assets are transferred to relevant category of operating fixed assets when they are available for use.

2.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.5 Employees' retirement benefits

Defined benefit schemes

The Company operates an unfunded pension scheme, an unfunded free electricity scheme and unfunded free medical facility scheme for all of its employees. Provision is made in the financial statements based on the actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains and losses (remeasurement effects) are recognized in statement of comprehensive income as remeasurement effect of employees retirements benefits.

Change in accounting policy

Previously, the portion of actuarial gains or losses was recognized if the net cumulative unrecognized actuarial gains or losses at the end of the previous year exceeded the "corridor" which was defined as the greater of ten percent of the defined benefit obligation and fair value of the planed assets at that date.

According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior periods financial statements have been summarized below:

	2013 Rupees	2012 Rupees
Effect on balance sheet:		
Increase in employees retirement benefits	3,077,334,034	1,461,376,034
Decrease in capital reserve	3,178,742,034	1,463,729,034
Increase in revenue reserve	101,408,000	2,353,000
Effect on profit and loss account:		
Decrease in cost of electricity	4,942,750	-
Decrease in distribution cost	76,282,350	2,353,000
Decrease in administrative expenses	17,829,900	-
Decrease in loss per share	99,055	2,353

Compensated absences

The Company's employees are also entitled for accumulated compensated absences, which are en-cashed at the time of retirement up to a maximum limit of 180 days. Provision is made on the basis of actuarial valuation carried out using Projected Unit Credit Method. Actuarial gains and losses relating to compensated absences are recognized in the year of occurrence.

Other staff welfare funds

For General Provident Fund and WAPDA Welfare Fund, the Company makes deduction according to different slab rates as approved by WAPDA from salaries of the employees and remits those amounts to funds established by WAPDA.

2.6 Related party transactions

All transactions with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method.

2.7 Stores and spares

These are valued at lower of net realizable value and moving average cost, except for items in transit which are stated at cost. Provision for impairment loss (stock loss) is recognized through profit and loss account for slow moving and obsolete items.

2.8 Borrowing costs

Interest and other charges on long term loans are capitalized for the period upto the date of commissioning of the respective assets acquired out of the proceeds of such loans. All other interest and other charges are charged to profit and loss account during the year.

2.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.10 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.11 Foreign currencies

Foreign currency transactions are recorded using the rate of conversion applicable on the date of transaction. All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date. The Company charges all the exchange differences to profit and loss account.

2.12 Revenue recognition

Revenue from electricity sales is recognised on supply of electricity to consumers based on meter readings. Revenue from disconnected customers is recognised on receipt basis.

Meter and service rental, late payment surcharge and public lighting revenue are recognized on the basis of billing.

Return on bank deposits is recognised on time proportion basis taking into account, period of deposit and rate of return applicable thereon.

Subsidy on electricity, as announced by the Government of Pakistan for consumers, is recognised on accrual basis when right to receive is established.

2.13 Financial instruments

A financial asset or financial liability is recognized at the time when the Company becomes a party to the contractual provisions of the instrument. A financial asset or part thereof is de-recognized when the Company loses control of the contractual right that comprises the financial asset or part there-of. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the rights expire or the Company surrenders those rights. A financial liability or part thereof is removed from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is recognized in profit and loss account.

Initial recognition

The financial assets and financial liabilities "at fair value through profit or loss" are initially recognized at fair value. All other financial assets or financial liabilities are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, as the case may be.

Subsequent measurement

The financial assets other than loans and advances are stated at fair value. Loans and advances are stated at amortized cost. Financial liabilities are subsequently measured at amortized cost.

Accounting policies associated with certain financial instruments are given below:

(a) Trade debts

Trade debts are stated net of provision for doubtful debts, if any. Provision for doubtful debts is made on management's assessment of anticipated uncollectible amounts based on the Company's past experience, historical bad debts statistics and age analysis. Known bad debts are written off.

(b) **Trade and other payables**

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

(c) **Borrowings**

Borrowings are recognized initially at fair value and are subsequently at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.14 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.15 Share Capital

Ordinary shares are classified as equity.

2.16 Earnings per share – Basic and Diluted

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss after tax, attributable to ordinary shareholders of the Company, by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of the ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.17 Cash and cash equivalents

Cash and cash equivalents of the Company consist of cash in hand and balance with banks (Note 20).

2.18 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved and other appropriations are recognized in the period in which these are approved by the Board of Directors.

	Note	2014 Rupees	2013 Rupees
3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
1,000 (2013: 1,000) ordinary shares of Rupees 10 each issued as fully paid up in cash		**10,000**	10,000

4. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

This represents the surplus resulting from revaluation of property, plant and equipment (Freehold land, Leasehold Land, Building on freehold, Building on leasehold land, Distribution equipment, Generation equipment, Other plant and equipment, Computer and office equipment and Vehicles) net of incremental depreciation arising out of revaluation.

	2014	2013
Balance as at 01 July	**36,680,832,875**	37,608,298,329
Incremental depreciation charged during the year transferred to equity	**(1,057,846,255)**	(927,465,454)
Balance as at 30 June	**35,622,986,620**	36,680,832,875

5. DEPOSIT FOR SHARES

	Note	2014	2013
Allocation from net worth	5.1	**1,924,360,633**	1,924,360,633
Debt service payments by WAPDA on behalf of the Company	5.2	**949,154,044**	949,154,044
Fixed assets and long term loans transferred by WAPDA	5.3	**3,023,855,923**	3,023,855,923
Foreign relent loans and cash development loans	5.4	**1,072,311,000**	1,072,311,000
Repayment of long term loan by WAPDA	5.5	**406,182,000**	406,182,000
Incorporation expenses incurred by WAPDA	5.6	**5,042,375**	5,042,375
WAPDA Net Worth loan converted to equity participation	5.7	**5,056,618,968**	5,056,618,968
Transfer on account of clearance of circular debt	5.8	**44,807,689,159**	-
		57,245,214,102	12,437,524,943

5.1 This represents amount equivalent the net worth of the Company as on 13 May 1998 against which the Company will issue share to WAPDA.

5.2 This represents amount transferred from WAPDA current account on account of payment of interest on long term loans on behalf of the Company during the period from 1st July 2001 to 30 June 2005.

5.3 This represents net amount transferred from WAPDA current account on account of certain fixed assets and long term loans amounting to Rupees 3,598.980 million and Rupees 575.124 million respectively transferred to the Company in the period from 1 July 1999 to 30 June 2005.

5.4 This represents Foreign Relent Loans and Cash Development Loans transferred to Deposit for shares account as per WAPDA advices and directives of Government of Pakistan.

5.5 This represent amounts paid by WAPDA on account of long term financing and transferred to Deposit for shares account in 2002.

5.6 This represents amount paid by WAPDA on account of priliminary expenses and transferred into Deposit for shares account at the time of incorporation of Company.

5.7 This represents amount equivalent the net worth of the Company. Initially it was recorded as long term loan but subsequently it was transferred to Deposit for shares account as per WAPDA advice.

5.8 This represents GoP's investment / equity in the Company channelized through PEPCO / NTDC as a measure taken to clear circular debts prevailing in the power sector.

	Note	2014 Rupees	2013 Rupees
6. LONG TERM FINANCING			
Secured			
Loan from Asian Development Bank	6.1	**3,166,818,928**	3,138,383,991
Unsecured			
Loan From Kuwait Fund	6.2	**1,210,344,958**	1,210,344,958
Cash Development Loans	6.3	**1,244,495,476**	636,871,476
Loan from Power Hodling (Private) Limited	6.4	**21,541,580,224**	21,541,580,224
		23,996,420,658	23,388,796,658
		27,163,239,586	26,527,180,649
Less: Current portion of long term financing:			
- Overdue portion		**(1,989,209,872)**	(300,291,752)
- Current portion		**(772,831,752)**	(1,989,209,872)
		(2,762,041,624)	(2,289,501,624)
		24,401,197,962	24,237,679,025

6.1 Loan from Asian Development Bank

The Company has availed multi-tranch facility from Asian Development Bank (ADB) negoitiated by Government of Pakistan (GoP) in its behalf. The outstanding balance as at year end is as follows:

Tranch - I	6.1.1	**1,995,170,893**	1,995,170,893
Tranch - II	6.1.2	**1,171,648,035**	1,143,213,098
		3,166,818,928	3,138,383,991

6.1.1 This represent the relent portion of loans obtained by Government of Pakistan (GoP) from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP. Pursuant to relent terms conveyed through Economic Affairs Division letter No. 6(9) ADB:II/86 dated 30 March 2009 between GoP and the Company, the facility amount of Rupees 1,995 million (2013: Rupees 1,995 million) has been transferred to the Company. This facility carries interest rate of 17% per annum which is inclusive of relending interest of 11% plus exchange risk cover fee of 6% payable on half yearly basis. Repayments are to be made within maximum period of 15 years including a grace period of 2 years. Loan is repayable to GoP on the advice of debt management wing of Economic Affairs Division of Pakistan. This project has been closed by ADB with effect from 30 June 2012 due to un-ability of the Company to utilize full amount of loan within given time. As at 30 June 2014, the interest payable amounted to Rupees 1,011.80 million (2013: 732.21 million) has not yet been paid by the Company.

Movement -Tranch-I

Opening balance	**1,995,170,893**	1,924,228,767
Proceeds during the year	**-**	72,212,297
	1,995,170,893	1,996,441,064
Less: Amount paid	**-**	(1,270,171)
Closing balance	**1,995,170,893**	1,995,170,893

6.1.2 This represent the relent portion of loans obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP. Pursuant to relent terms conveyed through Economic Affairs Division letter No. 1(3) ADB:II/06-A dated 30 March 2011 with an adendum issued on 09 April 2011 between GoP and the Company, the facility amount of Rupees 1,171 million (2013: Rupees 1,143 million) has been transferred to the Company till the reporting date. This facility carries interest rate of 15% per annum which is inclusive of relending interest of 8.2% plus exchange risk cover fee of 6.8% payable on half yearly basis. The loan is repayable to GoP on the advice of debt management wing of Economic Affairs Division of Pakistan, within a period of 20 years including the grace period of 3 years. As at 30 June 2014, the interest payable amounted to Rupees 184.88 million (2013: 104.98 million) has not yet been paid by the Company.

Movement -Tranch-II	**2014** **Rupees**	**2013** **Rupees**
Opening balance	**1,143,213,098**	230,872,173
Proceeds during the year	**28,434,937**	912,340,925
	1,171,648,035	1,143,213,098
Less: Amount paid	**-**	-
Closing balance	**1,171,648,035**	1,143,213,098

6.2 The loan was taken by GoP from Kuwait Fund for Arab Economic Development and relent to the Company. The interest advised is 11% per annum. The loan is repayable in three years after the full facility of the loan amount of Kuwaiti Dinar 5 million is disbursed.

6.3 This loan has been granted by GoP for power enhancement projects. The interest rate advised for the year by GoP is 9.96% to 11% (2013: 9.96% to 11%) including exchange risk rate of 3% per annum. The loan is repayable annually in 20 years time with a grace period of 3 years and the first installment was due in May

Movement - Cash Development Loans		
Opening balance	**636,871,476**	636,871,476
Proceeds during the year	**607,624,000**	-
	1,244,495,476	636,871,476
Less: Amount paid	**-**	-
Closing balance	**1,244,495,476**	636,871,476

6.4 GoP in order to reduce a portion of circular debt in the power sector envisaged an arrangement whereby PHPL requested the syndicate (banks/fiancial institutions) to provide financing to PHPL up to an amount of Rupees 136,454 million. QESCO share in the said PHPL facility is Rupees 21,541 million and the loan is payable to syndicate within a period of 5 years inclusive of grace period of 24 months starting from 21 February 2012 with grace period applicable to proncipal repayment only. The loan is repayable quarterly from 20 May 2014. This loan carries quarterly interest at 3 month KIBOR plus 2% per annum.

7. LONG TERM DEPOSITS

These represents security deposits received from consumers at the time of electricity connection and are refundable / adjustable on disconnection of electricity supply.

	2014 Rupees	2013 Rupees
8. DEFERRED CREDIT		
Balance as at 01 July	**8,118,856,547**	7,626,329,058
Transferred from receipt against deposit works and connection	**1,426,061,671**	492,527,489
	9,544,918,218	8,118,856,547
Less: Amortization		
Balance as at 01 July	**(2,081,506,952)**	(1,811,344,514)
For the year	**(288,260,259)**	(270,162,438)
	(2,369,767,211)	(2,081,506,952)
	7,175,151,007	6,037,349,595
9. RECEIPT AGAINST DEPOSIT WORKS AND CONNECTIONS		
Balance as at 01 July	**7,070,898,466**	6,020,248,689
Contributions received during the year	**925,828,900**	1,543,177,266
Transferred to deferred credit against completed projects	**(1,426,061,671)**	(492,527,489)
Balance as at 30 June	**6,570,665,695**	7,070,898,466
The balance as at 30 June consist of:		
Capital contributions from cosumers awaiting service connections	**113,479,686**	90,064,756
Receipt against deposit works	**6,457,186,009**	6,980,833,710
Total	**6,570,665,695**	7,070,898,466

9.1 This represents amount received from consumers and Government as contribution towards the cost of extention of electricity networks.

10. EMPLOYEES' RETIREMENT BENEFITS		**2014 Rupees**	**2013 Rupees Restated**	**2012 Rupees Restated**
Post retirement benefits:				
Pension scheme	10.3	6,569,663,879	5,799,549,879	3,535,948,614
Free electricity scheme	10.3	552,943,001	517,866,001	431,196,001
Free medical benefits scheme	10.3	133,346,001	114,368,001	116,655,001
		7,255,952,881	6,431,783,881	4,083,799,616
On retirement benefits:				
Compensated absences		322,070,000	254,649,000	204,972,000
		7,578,022,881	6,686,432,881	4,288,771,616

10.1 The Company has adopted the WAPDA's employee pension scheme, post retirement free electricity scheme and post retirement medical benefits scheme. All the schemes are unfunded.

10.2 Actuarial valuation of the above schemes was carried out at 30 June 2014 using Projected Unit Credit Method. Following significant assumptions were used by the independent actuary:

	2014	**2013**	**2012**
Discount rate	13% p.a	11.5% p.a	13.25% p.a
Rate of increase in salary	10.75% p.a	9.5% p.a	11% p.a
Expected rate of increase in pension	7.5% p.a	3.25% p.a	4.75% p.a
Medical cost trends	7.5% p.a	6.25% p.a	7.75% p.a
Expected rate of increase in electricity tariffs	7.5% p.a	6.25% p.a	7.75% p.a
Normal retirement (in years)	60	60	60

10.3 Liability

	2014			2013			2012		
	Pension Rupees	Electricity Rupees	Medical Rupees	Pension Rupees	Electricity Rupees	Medical Rupees	Pension Rupees	Electricity Rupees	Medical Rupees
Present value of obligation as at 01 July	5.799.549.879	517.866.001	114,368.001	3.535,948.614	431.196.001	116,655,001	2,001,604,614	368,691,001	62,772,000
Current service cost	179.166.000	23.680,000	1.982,000	113,758,000	20.833.000	1,798,000	76,015,000	19,234,000	1.666,000
Past service cost	-	-	-	268,881,000	-	-	-	-	-
Interest cost	649,075.000	58.745.000	12.953,000	450,386,000	56,494.000	15.319.000	266.958,000	51,143,000	8.652,000
Remeasurement loss / (gain) due to:									
- change in demographic assumptions	-	-	-	272,393,000	35.478.000	19,088,000	-	-	-
- change in financial assumptions	(81.254.000)	-	-	1,227,534,000	-	-	-	-	-
- experience adjustments	333.967.000	(33,265,000)	7,514,000	213,043,000	(16.177.000)	(36,346,000)	1,387,304,000	(868,000)	45,569,001
	252,713.000	(33.265,000)	7,514,000	1,712,970,000	19,301.000	(17,258,000)	1,387,304,000	(868.000)	45,569,001
Benefits paid	(310.840,000)	(14,083,000)	(3,471,000)	(282,393.735)	(9,958 000)	(2,146,000)	(195,933,000)	(7,004.000)	(2,004,000)
Present value of obligation at 30 June	**6,569,663,879**	**552,943,001**	**133,346,001**	**5,799,549,879**	**517,866,001**	**114,368,001**	**3,535,948,614**	**431,196,001**	**116,655,001**

10.4 Charge for the year to

	2014			2013			2012		
	Pension Rupees	Electricity Rupees	Medical Rupees	Pension Rupees	Electricity Rupees	Medical Rupees	Pension Rupees	Electricity Rupees	Medical Rupees
Profit and loss account:									
Current service cost	179.166.000	23.680,000	1.982.000	113.758.000	20.833.000	1.798,000	76,015,000	19.234.000	1,666,000
Past service cost	-	-	-	268.881,000	-	-	-	-	-
Interest cost	649.075.000	58.745,000	12,953,000	450.386.000	56.494,000	15.319,000	266,958,000	51.143.000	8,652,000
	828.241.000	82.425.000	14.935,000	833.025,000	77.327.000	17.117.000	342.973,000	70.377,000	10,318,000
Other comprehensive income:									
Remeasurement loss / (gain) due to:									
- change in demographic assumptions	-	-	-	272.393.000	35.478.000	19.088,000	-	-	-
- change in financial assumptions	(81.254.000)	-	-	1.227,534.000	-	-	-	-	-
- experience adjustments	333.967.000	(33.265.000)	7,514,000	213.043.000	(16,177.000)	(36.346,000)	1,387,304,000	(868.000)	45,569,001
	252.713.000	(33.265.000)	7.514.000	1.712.970 000	19.301.000	(17.258,000)	1,387,304,000	(868,000)	45,569,001
	1,080,954,000	**49,160,000**	**22,449,000**	**2,545,995,000**	**96,628,000**	**(141,000)**	**1,730,277,000**	**69,509,000**	**55,887,001**

10.5 Net Liability

	2014			2013			2012		
	Pension Rupees	Electricity Rupees	Medical Rupees	Pension Rupees	Electricity Rupees	Medical Rupees	Pension Rupees	Electricity Rupees	Medical Rupees
Opening balance	5.799.549.879	517.866.001	114,368.001	3.535.948.614	431.196.001	116.655,001	2,001,604.614	368.691.001	62.772.000
Charge for the year	1.080.954.000	49.160.000	22.449.000	2.545.995 000	96.628.000	(141.000)	1.730.277,000	69.509.000	55,887,001
	6.880.503.879	567.026.001	136.817.001	6.081.943.614	527.824.001	116.514.001	3,731.881,614	438.200.001	118,659.001
Payments made during the year	(310.840.000)	(14.083.000)	(3.471.000)	(282.393.735)	(9.958.000)	(2.146.000)	(195.933.000)	(7.004.000)	(2,004.000)
	6,569,663,879	**552,943,001**	**133,346,001**	**5,799,549,879**	**517,866,001**	**114,368,001**	**3,535,948,614**	**431,196,001**	**116,655,001**

11. TRADE AND OTHER PAYABLES

	Note	2014 Rupees	2013 Rupees Restated
Trade creditors		**167,119,713**	372,475,437
Due to associated undertakings	11	**89,545,120,345**	121,684,774,206
Accrued liabilities		**100,385,514**	33,918,343
Advance from WAPDA against construction of hospital		**289,808,537**	289,808,537
Electricity duty payable		**131,935,700**	88,677,442
Income tax payable on electricity bills		**27,994,313**	17,678,137
Neelam Jehlum surcharge payable		**66,769,208**	13,068,072
TV license fee payable		**5,858,084**	4,932,555
General sales tax payable		**1,977,742**	8,693,509
Equalization surcharge payable		**119,955,296**	84,682,591
Extra Tax payable		**8,116,468**	-
Futher Tax payable		**3,882,873**	-
Professional tax payable		**-**	2,100
Withholding tax payable		**12,300,925**	18,879,775
Electricity duty not yet realized		**434,650,290**	363,606,931
Income tax not yet realized		**107,697,979**	86,467,208
TV license fee not yet realized		**118,311,795**	92,888,329
General Sales Tax not yet realized		**12,535,111,348**	9,706,384,818
Neelam Jehlum surcharge not yet realized		**1,288,574,730**	1,072,284,350
Equalization surcharge not yet realized		**447,348,838**	464,971,770
Extra Tax not yet realized		**10,170,168**	-
Futher Tax not yet realized		**5,924,550**	-
Retention money from contractors		**219,223,193**	175,894,645
Other Liabilities		**208,241,883**	280,188,129
		105,856,479,492	134,860,276,884

11.1 Due to associated undertakings / related parties

	2014	2013
GENCO - I	**49,148**	49,148
GENCO - III	**365,193**	362,858
GENCO - IV	**782,945**	543,756
Lahore Electric Supply Company Limited	**10,189,061**	9,195,732
Faisalabad Electric Supply Company Limited	**6,887,023**	4,991,552
Multan Electric Power Company Limited	**16,986,464**	14,093,881
Gujranwala Electric Power Company Limited	**4,923,261**	3,941,080
Islamabad Electric Supply Company Limited	**5,064,405**	3,889,882
Peshwar Electric Supply Company Limited	**19,103,305**	14,087,091
Hyderabad Electric Supply Company Limited	**27,706,012**	25,656,876
Tribal Electric Supply Company Limited	**173,123**	173,123
Sukkur Electric Power Company Limited	**6,765,622**	3,823,894
Centeral Power Purchase Agency	**89,446,124,783**	121,470,867,155
Receivable from other divisions	**-**	133,098,178
	89,545,120,345	121,684,774,206

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

During the current and preceding year, Central Power Purchase Agency (CPPA) raised credit notes of Rupees 21,681.039 million and debit notes of Rupees 10,249.165 million to the Company in respect of certain loans and markup and supplementary charges thereon. As per information, these loans were obtained by CPPA to pay off the power purchase obligations on behalf of the Company. The management believes that the Company is not a party to the financing arrangements entered into by CPPA and PHPL, therefore, the Company has not accounted for these loans, markup and supplementary charges thereon in these financial statements.

	Note	2014 Rupees	2013 Rupees
12.2 Commitments			
Inland letters of credit		**22,506,413**	99,660,102

This represents commitments in respect of letters of credit opened in favor of local suppliers for stores, spares and loose tools.

Capital commitments		**1,033,404,000**	508,425,000

13. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
Operating fixed assets	13	**56,902,806,512**	55,588,449,016
Capital work-in-progress	13	**10,712,531,850**	10,545,963,969
		67,615,338,362	66,134,412,985

13.1 OPERATING FIXED ASSETS

2014

DESCRIPTION	BALANCE AS AT 01 JULY					BALANCE AS AT 30 JUNE			DEPRECIATION RATE %
	Cost / Revalued amount	Accumulated Depreciation	Net Book Value	Additions	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Land-Freehold	7,466,133,810	-	7,466,133,810	-	-	7,466,133,810	-	7,466,133,810	-
Land-Leasehold	2,432,127,715	-	2,432,127,715	-	-	2,432,127,715	-	2,432,127,715	-
Building on Freehold Land	63,600,317	5,666,049	57,934,268	-	1,222,960	63,600,317	6,889,009	56,711,308	2
Building on Leasehold Land	3,079,087,661	687,554,328	2,391,533,333	62,967,070	59,207,252	3,142,054,731	746,761,580	2,395,293,151	2 - 3.5
Distribution equipment	45,156,216,603	7,377,369,851	37,778,846,752	3,025,579,948	1,510,073,182	48,181,796,551	8,887,443,033	39,294,353,518	3.5
Generation equipment	6,101,215,489	832,768,341	5,268,447,148	-	201,750,449	6,101,215,489	1,034,518,790	5,066,696,699	3.5
Other plant and equipment	240,546,197	134,557,807	105,988,390	33,820,987	15,126,025	274,367,184	149,683,832	124,683,352	10
Computers and office equipment	73,379,769	68,846,251	4,533,518	12,053,913	3,102,708	85,433,682	71,948,959	13,484,723	25
Vehicles	494,553,335	411,649,253	82,904,082	458,000	30,039,846	495,011,335	441,689,099	53,322,236	25
	65,106,860,896	**9,518,411,880**	**55,588,449,016**	**3,134,879,918**	**1,820,522,422**	**68,241,740,814**	**11,338,934,302**	**56,902,806,512**	

2013

DESCRIPTION	BALANCE AS AT 01 JULY					BALANCE AS AT 30 JUNE			DEPRECIATION RATE %
	Cost / Revalued amount	Accumulated Depreciation	Net Book Value	Additions / (Adjustments)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Land-Freehold	7,465,544,130	-	7,465,544,130	589,680	-	7,466,133,810	-	7,466,133,810	-
Land-Leasehold	2,432,127,715	-	2,432,127,715	-	-	2,432,127,715	-	2,432,127,715	-
Building on Freehold Land	63,600,317	4,447,652	59,152,665	-	1,218,397	63,600,317	5,666,049	57,934,268	2
Building on Leasehold Land	2,970,323,014	630,437,074	2,339,885,940	108,764,647	57,117,254	3,079,087,661	687,554,328	2,391,533,333	2 - 3.5
Distribution equipment	43,832,015,202	5,912,765,833	37,919,249,369	1,324,201,401	1,464,604,018	45,156,216,603	7,377,369,851	37,778,846,752	3.5
Generation equipment	6,101,215,489	623,337,733	5,477,877,756	-	209,430,608	6,101,215,489	832,768,341	5,268,447,148	3.5
Other plant and equipment	195,261,205	114,000,538	81,260,667	45,284,992	20,557,269	240,546,197	134,557,807	105,988,390	10
Computers and office equipment	68,541,189	59,055,371	9,485,818	4,838,580	9,790,880	73,379,769	68,846,251	4,533,518	25
Vehicles	459,524,635	308,244,879	151,279,756	35,028,700	103,404,374	494,553,335	411,649,253	82,904,082	25
	63,588,152,896	**7,652,289,080**	**55,935,863,816**	**1,518,708,000**	**1,866,122,800**	**65,106,860,896**	**9,518,411,880**	**55,588,449,016**	

13.2 During the year, depreciation is allocated to cost of own generation of Rupees 201.750 million, distribution cost of Rupees 1603.370 million and capital work in progress of Rupees 15.401 million

13.1.1 The properties and rights in assets amounting to Rupees 4,689 million have been transferred to the Company from WAPDA through a Business Transfer Agreement (the BTA) dated 29 June 1998 and Supplementary Business Transfer Agreement (the SBTA) dated 30 June 2004. The values of assets transferred to the Company represented unaudited values according to WAPDA records.

Further fixed assets amounting to Rupees 1,569 million and Rupees 231 million were transferred by WAPDA during the years ended 30 June 2005 and 2007 respectively. The values of assets transferred to the Company represented unaudited values according to WAPDA. Furthermore, during the year 30 June 2008, assets amounting to Rupees 76.99 million were transferred by NTDC through Directorate Grid Station Construction (GSC).

13.1.2 The property rights in the above assets were transferred to the Company on 01 July 1998 by the WAPDA. However, titles to the vehicles and some of the freehold land and leasehold land have not been transferred in the name of the Company in the registration authority and land revenue records

13.1.3 Property, plant and equipment was last revalued by G3 Engineering Consultants (Private) Limited and M/s Protectors (valuars) as at 30 June 2009. The valuars issued their reports on 16 November 2011 Further an independent firm of chartered accountants also reviewed the report issued by the valuars and confirmed the amount of surplus arisen on revaluation of fixed assets vide their report dated 11 February 2013. The results of this revaluation was incorporated in the financial statements of the Company for the year ended 30 June 2012. The management intends to revalue such assets during the next year.

13.1.4 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at 30 June 2014 would have been as follows:

	2014		
	Cost	**Accumulated Depreciation**	**Book Value**
	Rupees	**Rupees**	**Rupees**
Land-Freehold	21,002,119	-	21,002,119
Land-Leasehold	21,041,874	-	21,041,874
Building on Freehold Land	21,821,219	4,915,597	16,905,622
Building on Leasehold Land	1,744,846,866	691,502,177	1,053,344,689
Distribution equipment	27,134,622,349	7,465,427,369	19,669,194,980
Generation equipment	948,747,410	833,407,752	115,339,658
Other plant and equipment	255,729,712	138,282,271	117,447,441
Computers and office equipment	81,661,236	77,642,005	4,019,231
Vehicles	403,969,700	389,265,544	14,704,156
	30,633,442,485	9,600,442,715	21,032,999,770

	2013		
	Cost	Accumulated Depreciation	Book Value
	Rupees	Rupees	Rupees
Land-Freehold	20,412,439	-	20,412,439
Land-Leasehold	21,041,874	-	21,041,874
Building on Freehold Land	21,821,219	4,479,173	17,342,046
Building on Leasehold Land	1,573,115,149	657,759,636	915,355,513
Distribution equipment	22,784,841,000	6,612,786,277	16,172,054,723
Generation equipment	948,747,410	800,201,593	148,545,817
Other plant and equipment	176,623,733	115,809,557	60,814,176
Computers and office equipment	64,768,743	59,989,051	4,779,692
Vehicles	368,483,000	328,729,247	39,753,753
	25,979,854,567	8,579,754,534	17,400,100,033

13.2 CAPITAL WORK-IN-PROGRESS

	2014			
	Civil works	Distribution equipment	Generation equipment	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 1 July	1,557,737,343	8,987,138,637	1,087,989	10,545,963,969
Additions during the year	92,921,612	3,162,193,287	-	3,255,114,899
	1,650,658,955	12,149,331,924	1,087,989	13,801,078,868
Capitalized during the year	(62,967,070)	(3,025,579,948)	-	(3,088,547,018)
	1,587,691,885	**9,123,751,976**	**1,087,989**	**10,712,531,850**

	2013			
	Civil works	Distribution equipment	Generation equipment	Total
	Rupees	Rupees		Rupees
Balance as at 1 July	1,667,091,670	6,185,755,723	1,087,989	7,853,935,382
Additions during the year	-	4,125,584,314	-	4,125,584,314
	1,667,091,670	10,311,340,037	1,087,989	11,979,519,696
Capitalized during the year	(109,354,327)	(1,324,201,400)	-	(1,433,555,727)
	1,557,737,343	8,987,138,637	1,087,989	10,545,963,969

13.2.1 The balance includes material, labor and overhead expenditures incurred on extension of distribution network.

14. LONG TERM LOANS

	Note	2014 Rupees	2013 Rupees
Long term loans to employees - Considered good			
- for house building / purchase of plots	14.1	**59,479,136**	47,415,057
- for purchase of vehicles	14.1	**9,205,911**	7,679,384
		68,685,047	55,094,441
Less: Amount due within one year shown under current assets	18	**(18,030,594)**	(16,388,071)
		50,654,453	38,706,370

14.1 House building and plot loans are repayable in 10 years, car and motorcycle loans in 05 years and bicycle loans in 04 years. These loans are unsecured and interest free. Fair value adjustment for this loan has not been carried out because the amounts are not material.

15. LONG TERM DEPOSITS

	Note	2014 Rupees	2013 Rupees
Long term deposits	15.1	**819,674**	726,404

15.1 These represent the amounts held by Sui Southern Gas Pipeline Limited and Pakistan Telecommunication Company Limited in respect of connections at various offices of the Company.

16. STORES, SPARES AND LOOSE TOOLS

	2014 Rupees	2013 Rupees
Distribution equipment	**2,113,720,120**	1,941,581,652
Grid station equipment	**973,943,235**	1,220,493,139
Generation equipment	**226,286,061**	226,333,581
Others	**1,910,925**	17,022,730
	3,315,860,341	3,405,431,102
Less Provision for obsolence	**(30,507,935)**	(30,507,935)
	3,285,352,406	3,374,923,167

17. TRADE DEBTS

	2014 Rupees	2013 Rupees Restated	2012 Rupees Restated
Considered good	**89,651,258,422**	70,925,087,907	56,680,502,374
Considered doubtful	**29,764,638,305**	21,090,993,107	15,494,139,371
	119,415,896,727	92,016,081,014	72,174,641,745
Provision for doubtful debts			
Opening balance as on 01 July	**(21,090,993,107)**	(15,494,139,371)	(11,179,882,399)
Provision made during the year	**(8,673,645,198)**	(5,596,853,736)	(4,314,256,972)
Closing balance as on 30 June	**(29,764,638,305)**	(21,090,993,107)	(15,494,139,371)
	89,651,258,422	70,925,087,907	56,680,502,374

17.1 The trade debts as at the balance sheet date are classified into Domestic, Commercial, Agriculture, Public lights, Residential colonies and others including the subsidies receivable from Government of Pakistan (GoP) and Government of Baluchistan (GoB)

17.2 The trade debts include tariff differential subsidy of Rupees 5,914.109 million (2013: Rupees 5,312.409 million) receivable from GoP. Moreover, these includes agriculture tubewells subsidy of Rupees 6,001 million (2013: Rupees 2,949.060) and Rupees 1.926 million (2013 Rupees 2,785.550) receivable from GoP and GoB respectively.

17.3 Trade debts receivale from consumers are secured to the extent of corresponding consumers' security deposits.

17.4 The agriculture consumers were allowed agriculture subsidy by the Government of Pakistan (GoP), Government of Balocistan (GoB) and the Company as follows:

- For tube well installed up to 30 June 2006, the agriculture consumers were billed Rupees 4,000 per month. The remaining amounts of the bills were borne in the ratio of 40:30:30 by GoP, GoB and the Company respectively; and

- For tube well installed after 30 June 2006, the agriculture consumers are allowed subsidy of 25% of the billed amount which is borne by GoP and GoB in equal ratio

This agriculture subsidy was withdrawn effective from 01 July 2010 and billing to the agriculture consumers was restored to the normal mode on meter reading basis

Considering the non-payment by the agriculture consumers, a resolution was passed in the Balochistan Assembly on 09 August 2010 for the restoration of agriculture subsidy. The Honorable Prime Minister of Pakistan during his visit to Sohbatpur, Balochistan on 12 August 2010 announced the restoration of Agriculture subsidy for the tube well consumers of Balochistan. Notification in this regard was issued by the Government of Pakistan on 28 November 2012 thereby restoring the agriculture tube well subsidy for agriculture consumers of Balochistan with a maximum limit of 15,660 consumers effective from 01 December 2012 as follows:

If electricity bill do not exceed Rupees 50,000 per month per consumer – Rupees 6,000 will be billed to the consumer and the remaining amount of the bill will be borne in the ration of 40:60 by GoP and GoB respectively;

- if electricity bill exceeds Rupees 50,000 per month per consumer – any amount over and above Rupees 50,000 will be paid by the Tube well owner

The aforementioned notification is effective from 01 December 2012 and Government of Pakistan (GoP) has not issued any notification for the restoration of agriculture subsidy for the period from 01 July 2010 to 30 November 2012. The management believes that the agriculture subsidy will be restored and paid by the GoP and GoB for the said period as well.

			2014 Rupees	2013 Rupees
18.	**LOANS AND ADVANCES**			
	Considered good			
	Advance to employees		**31,105,171**	41,741.360
	Stores shortages recoverable from employees		**5,417,977**	3.625 366
	Current portion of long term advances		**18,030,594**	16.388.071
	Advances to suppliers / contractors (Note 14)		**209,189,133**	159,406.880
			263,742,875	221.161.677
19.	**OTHER RECEIVABLES**			
	Due from energy debtors			
	Electricity duty		**434,650,290**	363.606.931
	Income tax		**107,697,979**	86 467 208
	Neelam Jehlum surcharge		**1,288,574,730**	1,072,284 350
	Sales tax receivable		**49,757,622**	47,116,091
	TV license fee		**118,311,795**	92.888 329
	Equalization surcharge		**447,348,838**	464,971.770
	Extra Tax receivable		**10,170,168**	-
	Futher Tax receivable		**5,924,550**	
	General Sales Tax		**12,485,364,771**	9.659.268.727
			14,947,800,743	11,786,603 406
	Receiveable from Federal Board of Revenue		**13,965,228,671**	11.038.235 563
	Due from associated undertakings	19.1	**4,793,122,140**	4 744.051 436
	General sales tax receivable from WAPDA		**295,000,000**	395,527.159
	Receiveable from divisions		**6,022,931**	330 955
	Others	19.2	**256,606,481**	115 268 619
			19,315,980,223	16,293.413.732
	Provision against other receivables		**(5,658,593)**	(5,658.593)
			34,258,122,373	28.074.358.545
19.1	**Due from associated undertakings / related parties**			
	WAPDA Welfare Trust		**40,884,644**	35,132,227
	Water and Power Development Authority		**4,539,604,759**	4.544.934.410
	Central Power Generation Company Limited		**2,317,301**	2.040,868
	National Transmission and Despatch Company		**86,139,164**	74,260.174
	Pension payment receivable from other associates		**124,176,272**	87.683.757
			4,793,122,140	4,744,051 436

19.1.1 The age analysis of due from associated undertakings / related parties is as follows:

2014	Less than 1 year	1 to 3 years	More than 3 years	Total
Central Power Generation Company Limited	276,433	604,768	1,436,100	2,317,301
National Transmission and Dispatch Company limited	11,878,990	74,260,174	-	86,139,164
	12,155,423	**74,864,942**	**1,436,100**	**88,456,465**

2013	Less than 1 year	1 to 3 years	More than 3 years	Total
Central Power Generation Company Limited	563,768	782,743	694,357	2,040,868
National Transmission and Dispatch Company limited	9,046,386	18,178,491	47,035,297	74,260,174
	9,610,154	**18,961,234**	**47,729,654**	**76,301,042**

		2014 Rupees	2013 Rupees
19.2 Others			
Considered good		**250,947,888**	109,610,025
Considered doubtful		**5,658,593**	5,658,593
		256,606,481	115,268,618

20. CASH AND BANK BALANCES

	Note	2014	2013
Cash at bank:			
- Current accounts		**1,317,606,053**	1,874,847,693
- Saving accounts	20.1	**1,655,918,255**	142,598,204
		2,973,524,308	2,017,445,897

20.1 Saving accounts carry markup ranging from 5% to 11% per annum (2013: 5% to 11% per annum).

21. ELECTRICITY SALES	2014 Rupees	2013 Rupees Restated
Consumers (Note 21.1 & 21.2)	**38,217,834,047**	29,165,403,862
Tariff subsidy (Note 21.3)	**9,480,707,396**	17,791,801,000
	47,698,541,443	46,957,204,862

21.1 Units sold during the year were 3,744.413 million at average tariff of Rupees 12.74 per Kwh (2013: 3,811.694 million @ Rupees 12.15)

21.2 This includes an amount of Rupees 1,902.345 million (2013: Rupees 970.708 million) with respect to year end accrual

21.3 This represents the differential of tariff approved by NEPRA and the tariff approved by the Government. This is claimed from Ministry of Water and Power Government of Pakistan when right to receive is established. The Company's revised tariff for the financial year ended 30 June 2014 was approved by NEPRA on 12 June 2014. However, the same has not so far Gazetted by Government of Pakistan due to which the Company used tariff relating to financial year 2012 2013. Accordingly, the claim of tariff differential subsidy for the year has also been calculated and booked in these financial statements on the basis of same tariff

22. COST OF ELECTRICITY

	2014	2013
Purchase from CPPA (Note 22.1 & 22.2)	**52,684,082,380**	48,740,759,999
Cost of own generation (Note 22.3)	**1,248,654,955**	883,454,999
	53,932,737,335	49,624,214,998

22.1 Power Purchase Price (PPP)

	2014	2013
PPP-Variable charges	**41,390,236,486**	38,292,241,067
PPP-Fixed charges	**10,337,564,940**	9,563,814,134
Use of system charges	**956,280,954**	884,704,798
	52,684,082,380	48,740,759,999

Quantitative Data	2014	2013
Units purchased (kwh)	**4,956,288,084**	4,929,424,000
Units Sold (kwh)	**3,744,413,459**	3,811,694,000
T & D losses %	**24.45%**	22.67%

22.2 The Company purchased electricity from CPPA and other private power producers. However, invoices are issued to the Company by CPPA on an aggregate basis.

22.3 Cost of own generation		**2014 Rupees**	**2013 Rupees Restated**
Fuel, additives and other chemicals		**802,892,662**	478,696,439
Salaries, wages and other benefits	22.4	**130,205,149**	128,154,142
Repair and maintenance		**87,945,042**	45,310,214
Power, light and water		**6,066,681**	1,842,170
Postage and telephone		**123,265**	60,906
Office supplies and other expenses		**513,352**	477,327
Travelling		**8,203,506**	9,187,252
Transportation		**10,371,717**	9,832,798
Depreciation		**201,750,449**	209,430,608
Other charges		**583,132**	463,143
		1,248,654,955	**883,454,999**

22.4 This Includes Rupees 48.955 million (2013: Rupees 54.292 million) on account of emplyees' post retirement benefits.

23. DISTRIBUTION EXPENSES

Salaries, wages and other benefits	23.1	**2,591,149,176**	2,417,906,103
Repair and maintenance		**661,561,935**	473,231,341
Rent, Rates and taxes		**5,738,729**	6,187,733
Power, Light and water		**43,674,593**	45,307,454
Postage and telephone		**3,729,262**	3,875,980
Office supplies and other expenses		**5,654,117**	5,697,878
Travelling		**124,188,426**	113,098,269
Transportation		**183,433,951**	174,519,516
Electricity bill collection charges		**17,810,856**	23,168,780
NEPRA fee		**8,683,493**	9,172,692
Insurance		**14,801**	7,644,271
Misceleneous expenses		**8,069,528**	8,353,975
Depriciation net of amortization		**1,315,109,863**	1,377,277,161
		4,968,818,730	4,665,441,153

23.1 This Includes Rupees 708.598 million (2013: Rupees 785.859 million) on account of emplyees' post retirement benefits.

23.2 Depreciation net of amortization:

Depreciation for the year (Note 13.2)	**1,603,370,122**	1,647,439,599
Amortization of deferred credit for the year (Note 8)	**(288,260,259)**	(270,162,438)
	1,315,109,863	1,377,277,161

24. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	24.1	**828,617,948**	853,975,235
Repair and maintenance		**5,413,955**	6,765,955
Rent, Rates and taxes		**1,393,934**	1,344,170
Power, Light and water		**13,911,724**	9,912,026
Postage and telephone		**5,968,043**	5,410,983
Office supplies and other expenses		**20,840,342**	20,094,913
Travelling		**61,001,781**	49,284,116
Transportation		**71,378,513**	46,746,060
Misceleneous expenses		**18,833,022**	18,983,417
		1,027,359,262	1,012,516,875

24.1 This Includes Rupees 168.048 million (2013: Rupees 186.371 million) on account of emplyees' post retirement benefits

			2014	2013
25.	**OTHER OPERATING EXPENSES**		**Rupees**	**Rupees**
	Auditor's remuneration	25.1	**1,000,000**	1,000,000
	Management fees		**-**	1,668,000
	Legal & professional charges		**73,750,866**	22,016,434
	Provision for bad debts		**8,673,645,198**	5,596,853,736
	Balance written off cases		**473,578**	401,838
			8,748,869,642	5,621,940,008
25.1	**Auditor's remunetation**			
	Audit fee		**800,000**	700,000
	Out of pocket expenses		**200,000**	300,000
			1,000,000	1,000,000
26.	**RENTAL AND SERVICE INCOME**			
	Meter and service rentals		**845,222**	1,070,074
	Reconnection fee		**3,200,338**	612,827
	Other electric revenue		**19,755,114**	6,160,122
	Over head recovery on meters		**12,932,433**	11,375,320
			36,733,107	19,218,343

27. This represents non-cash subsidy credited by CPPA on the instructions of PEPCO relating to GoP's unpaid subsidy for prior years. The Company has accounted for this subsidy as income for the year in accordance with International Accounting Standard 37 'Provisions, Contingent Liabilities and Contingent Assets' since it was a contingent income arising from unplanned and unexpected circumstances for which no information was previously available with the Company.

28.	**OTHER INCOME**		
	Surcharge on late payment	**2,363,924,069**	2,107,375,343
	Profit on bank deposit	**96,406,992**	80,837,902
	Sale of scrap	**28,976,752**	36,517,211
	Miscellaneous	**629,690,948**	465,482,710
		3,118,998,761	2,690,213,166
29.	**FINANCIAL AND OTHER CHARGES**		
	Interest on loan from Power Holding (Private) Limited	**2,577,618,275**	2,484,009,762
	Bank charges	**1,927,948**	2,097,060
		2,579,546,223	2,486,106,822
30.	**PROVISION FOR TAXATION**	**Rupees**	**Rupees**
	Current (Note 30.1)	-	29,813,494
	Deferred (Note 30.2)	-	-
		-	**29,813,494**

30.1 Current

The Company has incurred gross loss during the year. Therefore, no provision for minimum tax under section 113 to the Income Tax Ordinance, 2001 has been accounted for in these financial statements.

30.2 Deferred

Deferred tax asset has been worked out amounting to Rupees 17,204.686 million (2013: Rupees 20,484.409million - restated) which has not been accounted for in these financial statements due to uncertainties regarding the future taxable profits against which such asset would be utilized.

31. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share which is based on:

Loss for the year - **(Rupees)**	**8,312,790,582**	(13,773,396,979)
Average number of ordinary shares in issue - **(Numbers)**	**1,000**	1,000
Loss per share - **(Rupees)**	**8,312,791**	(13,773,397)

32. Subsequent to the year end. the Honourable Baluchistan High Court withdrawn its stay on fuel price adjustement which remained unbilled to consumers for the years from 2011 to 2014. Moreover, the Company has recieved final invoices of electricity cost alongwith respective advices from CPPA in respect of financial year 2011-2012 ans 2012-2013. These adjustments in respect of preceding years have been accounted for in these financial statements with retrospective effect in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effects of these retrospective adjustments on profit and loss account and balance sheet for the year ended 30 June 2013 and 30 June 2012 are follows:

	2013 Rupees	2012 Rupees
Profit and loss account:		
Increase in electricity sales	580,066,091	4,597,697,783
Increase / (decrease) in cost of electricity	177,535,529	(998,672,774)
Decrease in loss after tax	402,530,562	5,596,370,557
Decrease in loss per share	402,531	5,596,371
Balance sheet		
Decrease in trade and other payables	(821,137,245)	(998,672,774)
Increase in trade debts	5,177,763,874	4,597,697,783
Decrease in accumulated loss	5,998,901,119	5,596,370,557

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk

(a) Market risk

Market risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market interest rates or the market price of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to this risk because there were no receivables and payables in any foreign currency as at the balance sheet date.

No foreign currency transactions were carried out during the year. Therefore, no currency risk exist at the balance sheet.

Sensitivity analysis

Sensitivity analysis of functional currency at reporting date is not required due to nil foreign currency nominated financial assets and liabilities at the balance sheet date.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. As there is no borrowings of the Company so there is no interest rate exposure to the Company.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2014	2013
Fixed rate instruments :	**Rupees**	**Rupees**
Financial assets		
Bank balances - deposit accounts	1,655,918,255	142.598.204
Financial Liabilities		
Long term financing	5,621,659,361.89	4,985,600.425
Floating rate instruments :		
Financial assets	-	-
Financial Liabilities		
Long term financing	21,541,580,224	21,541.580.224

Cash flow sensitivity analysis for variable rate instrument

If interest rates at the year end date. fluctuated by 1% higher / lower with all other variables held constant. profit after taxation for the year would have been 215.415 million (30 June 2013: Rupees 215.415 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014	2013
	Rupees	Rupees
Long term loans	68.685.047	55,094,441
Long term deposits	819,674	726,404
Trade debts	63,715,012.414	56,433.317,782
Loan and advances	36,523.148	45,366,726
Other receivables	5,044,070,028	4,859,320,055
Bank balances	2,973,524,308	2,017,445,897
	71,838,634,619	63.411.271,305

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

Banks	**Rating**		
	Short Term	**Long term**	**Agency**
National Bank of Pakistan	A-1+	AAA	JCR-VIS
United Bank Limited	A-1+	AA+	JCR-VIS
Allied Bank Limited	A1+	AA+	PACRA
MCB Bank Limited	A-1+	AAA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
Bank of Punjab	A1+	AA-	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Bank Al Habib Limited	A1+	AA+	PACRA
First Women Bank Limited	A2	BBB+	PACRA
Summit Bank Limited	A-3	A-	JCR-VIS
Meezan Bank Limited	A-1+	AA	JCR-VIS

Considering the above credit rating, management does not foresee any default from these parties. Accordingly, the credit risk is assumed to be very low.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2014

	Carrying amount	Contractual cash flows	Less than six months	Six to twelve months	One to two years	Two to five years	More than five years
Long term financing	27,163,239,586	27,163,239,586	1,989,209,872	772,831,752	1,356,418,229	437,716,389	22,607,063,345
Long term deposits	665,197,647	665,197,647	-	-	-	-	665,197,647
Trade and other payables	90,240,090,648	90,240,090,648	90,240,090,648	-	-	-	-
Accrued mark-up	2,801,519,239	2,801,519,239	2,801,519,239	-	-	-	-
	120,870,047,120	120,870,047,120	95,030,819,759	772,831,752	1,356,418,229	437,716,389	23,272,260,992

Contractual maturities of financial liabilities as at 30 June 2013

	Carrying amount	Contractual cash flows	Less than six months	Six to twelve months	One to two years	Two to five years	More than five years
Long term financing	26,527,180,649	26,527,180,649	300,291,752	1,989,209,872	5,897,346	434,872,895	23,796,908,784
Long term deposits	553,804,714	553,804,714	-	-	-	-	553,804,714
Trade and other payables	122,547,250,760	122,547,250,760	122,547,250,760	-	-	-	-
Accrued mark-up	1,633,524,441	1,633,524,441	1,633,524,441	-	-	-	-
	151,261,760,564	151,261,760,564	124,481,066,953	1,989,209,872	5,897,346	434,872,895	24,350,713,498

33.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. As at the reporting date, the Company does not hold any financial assets that are measured subsequent to initial recognition at fair value. Therefore, the analysis of such financial assets in different levels based upon the degree to which fair value is observable, is not recognized.

33.3 Financial instruments by categories

	Loans and receivables
As at 30 June 2014	**Rupees**
Assets as per balance sheet	
Long term loans	68,685,047
Trade debts	63,715,012,414
Loan and advances	36,523,148
Other receivables	5,044,070,028
Bank balances	2,973,524,308
	71,837,814,945

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	27,163,239,586
Long term deposits	665,197,647
Trade and other payables	90,240,090,648
Accrued mark-up	2,801,519,239
	120,870,047,120

	Loans and receivables
As at 30 June 2013	**Rupees**
Assets as per balance sheet	
Long term loans	55,094,441
Trade debts	56,433,317,782
Loan and advances	45,366,726
Other receivables	4,859,320,055
Bank balances	2,017,445,897
	63,410,544,901

	Financial liabilities at amortized cost
Liabilities as per balance sheet	**Rupees**
Long term financing	26,527,180,649
Long term deposits	553,804,714
Trade and other payables	122,547,250,760
Accrued mark-up	1,633,524.441
	151,261,760,564

34. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Currently, the shareholders' equity is negative by Rupees 52,561.939 million (2013: Rupees 61,705.617 million - restated) and future profitability of the Company is dependent upon effective control on line losses and favorable sales tariff. Accordingly, pending finalization of completion of corporatization, the Company practically remains dependent upon stakeholders for continuing profitable operations and maintenance of its capital. However, deposit for shares amounting to Rupees 5,169.464 million of WAPDA is also outstanding in the books of account against which ordinary shares will be issued upon completion of pending formalities.

35. RELATED PARTY TRANSACTIONS

Related parties comprise of Government of Pakistan, Pakistan Electric Power Company Limited , National Transmission Dispatch Company, eight distribution companies , four power generation companies, Central Power Purchasing Agency (CPPA) and WAPDA. These comprise major shareholder, associated companies/entities, supplier of electricity and other related parties. The transactions and outstanding balance with related parties are as follows:

Purchases of electricity	**52,684,082,380**	48,563,224,470
Loan from Power Holding (Private) Limited	**21,541,580,224**	21,541,580,224
Interest on loan from Power Holding (Private) Limited	**2,577,618,275**	2,484,009,762
Management fees and other charges	**-**	1,668,000
Remuneration - key management personnel	**11,045,868**	8,620,697

35.1 The Companys key Management Personnel includes Chief Executive Officer, General Manager Technical, Diresctor Human Resource, Operation Director, Chief Engineer Commercial, Chief Engineer Development, Chief Engineer O&M, Finance Director.

35.2 The Company also provided free accommodation, transportation, residential telephone and medical facilities in addition to the salary.

35.3 The aggregate amount of Directors Fee paid for attending Board meeting is Rupees 216,050 (2013: Rupees 396,650)

36. NUMBER OF EMPLOYEES

The number of employees as at the year end totalled 7,012 (2013: 6,989)

At year end	7,012	6,989
Average during the year	7,001	6,900

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on January 17, 2015 by the Board of Directors of the Company.

38. CORRESPONDING FIGURES

38.1 No significant reclassification/re-arrangement of corresponding figures has been made during the year except for as stated in Notes 2.5 and 32 and certain reclassifications which are as follows:

From	To	Reason	**Rupees**
Trade and other payables	Reciepts against deposit works and connections	For better presentation	7,070,898,466
Trade and other payables	Accrued mark-up	For better presentation	1,633,524,441
Trade and other payables	Employees' retirement benefits	For better presentation	254,649,000
Electricity Sales	Rental and service income	For better presentation	19,218,343
Provision for tax	Advance income tax	For better presentation	25,202,452

39. GENERAL

Figures have been rounded off to the nearest Rupee unless otherwise stated.

CHIEF EXECUTIVE

DIRECTOR